

**TOWNSHIP OF ELMIRA**  
**OTSEGO COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                               |   |                  |
|--|-------------------------------|---|------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                               | Local Unit Name<br>ELMIRA TOWNSHIP                      | County<br>OTSEGO |
| Fiscal Year End<br>MARCH 31, 2006  | Opinion Date<br>JULY 31, 2006 | Date Audit Report Submitted to State<br>AUGUST 20, 2006 |                  |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

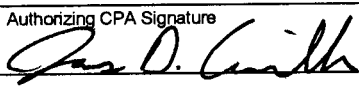
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                                     |  |             |                              |
|--|-------------------------------------|--|-------------|------------------------------|
| <b>We have enclosed the following:</b>   | Enclosed                            | Not Required (enter a brief justification) |             |                              |
| Financial Statements   | <input checked="" type="checkbox"/> |  |             |                              |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/> |  |             |                              |
| Other (Describe)   | <input type="checkbox"/>            |  |             |                              |
| Certified Public Accountant (Firm Name)<br>KESKINE, COOK, MILLER & ALEXANDER                                     |                                     | Telephone Number<br>(989) 732-7515         |             |                              |
| Street Address<br>100 WEST FIRST STREET  |                                     | City<br>GAYLORD                            | State<br>MI | Zip<br>49735                 |
| Authorizing CPA Signature<br> |                                     | Printed Name<br>JAMES D. CAMILLER          |             | License Number<br>1101027621 |

### **Township Officials**

Supervisor

Diane Franckowiak

Clerk

Sue Schaedig

Treasurer

Diane Purgiel

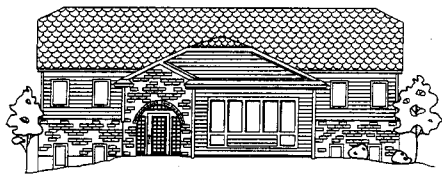
### **Trustees**

Leonard Skop

Theresa Plachta

## Table of Contents

|  | Page    |
|--|---------|
| <b>Independent Auditor's Report</b>  | 1       |
| <b>Management's Discussion and Analysis</b>  | 2 - 5   |
| <b>Basic Financial Statements</b>  |         |
| Government-Wide Financial Statements:  |         |
| Statement of Net Assets  | 6       |
| Statement of Activities  | 7       |
| Fund Financial Statements:   |         |
| Governmental Funds:  |         |
| Balance Sheet  | 8       |
| Reconciliation of the Balance Sheet to the Statement of<br>Net Assets  | 9       |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance   | 10      |
| Reconciliation of the Statement of Revenues, Expenditures<br>And Changes in Fund Balance to the Statement of<br>Activities | 11      |
| Fiduciary Funds:   |         |
| Statement of Assets and Liabilities  | 12      |
| Notes to Financial Statements  | 13 - 20 |
| <b>Required Supplemental Information</b>   |         |
| Budgetary Comparison Schedule – General Fund   | 21      |



**Keskin, Cook, Miller & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report**

Walter J. Keskin, C.P.A.  
Jeffrey B. Cook, C.P.A.  
Richard W. Miller, C.P.A.  
Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

July 31, 2006

To the Township Board  
Elmira Township  
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and remaining fund information of the Township of Elmira, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the major fund and remaining fund information of the Township of Elmira as of March 31, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-5 and budgetary comparison information on pages 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*K. Cook Miller & Alexander LLP*  
KESKINE, COOK, MILLER & ALEXANDER, LLP

Diane Franckowiak,  
Supervisor  
P.O. Box 117  
Elmira, MI 49730  
231-546-3241

Susan Shaedig, Clerk  
7252 Alba Road  
Gaylord, MI 49735  
989-732-2920



## *Township of Elmira*

Leonard Skop, Trustee • Theresa Plachta, Trustee

Diane Purgiel, Treasurer  
1404 N. Townline Road  
Gaylord, MI 49735  
989-732-4560  
989-732-9702 Fax

Jill Kassuba, Assessor  
P.O. Box 334  
Vanderbilt, MI 49795  
989-983-3993

### **TOWNSHIP OF ELMIRA MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2006**

This section of Elmira Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

Our financial position has improved over the prior year.

Overall revenues were approximately \$279,000, of which approximately \$29,000 is classified as program revenues, and approximately \$250,000 is classified as general revenues (consisting primarily of property taxes and state-shared revenues). Total revenues have increased approximately 17% over the year ended March 31, 2004 as a result of increasing property tax revenues consisting of appreciating property values and an increase in the interest rate earned on bank deposits and certificates of deposit.

Overall expenses totaled approximately \$201,000 which is a decrease of approximately 17% from the year ended March 31, 2004 and consistent with the year ended March 31, 2005. The declining expenditures from the year ended March 31, 2004 are due to no road improvements being performed for the years ended March 31, 2005 and 2006. For the year ended March 31, 2004, approximately \$66,000 was expended on road repairs.

Total assets at March 31, 2006 totaled approximately \$604,000, which consists of approximately \$171,000 in capital assets net of depreciation, approximately \$415,000 in cash and certificates of deposit, and approximately \$18,000 in accounts receivable.

Total liabilities total approximately \$9,000 in consist entirely of amounts due to the Elmira / Warner Fire Authority.

Net assets as of March 31, 2006 total approximately \$594,000 which represents an increase of approximately \$78,000 from the prior year. Approximately \$171,000 of the total net assets is invested in capital assets with approximately \$423,000 being unrestricted.

The Township incurred no new debt instruments during the year and has no outstanding debt carried forward from prior years. The Township did not purchase any capital assets in the year ended March 31, 2006. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

The following table shows in condensed format, the net assets as of March 31, 2006 and 2005.

|                            | <b>Governmental Activities</b> |                |
|----------------------------|--------------------------------|----------------|
|                            | <u>2006</u>                    | <u>2005</u>    |
| <b>Assets</b>              |                                |                |
| Current assets             | \$ 433,000                     | \$ 344,000     |
| Noncurrent assets          | <u>171,000</u>                 | <u>177,000</u> |
| Total assets               | 604,000                        | 521,000        |
| <b>Liabilities</b>         |                                |                |
| Due to other governments   | <u>9,000</u>                   | <u>4,000</u>   |
| <b>Net Assets</b>          |                                |                |
| Invested in capital assets | 171,000                        | 177,000        |
| Unrestricted               | <u>424,000</u>                 | <u>340,000</u> |
| Total net assets           | <u>595,000</u>                 | <u>517,000</u> |

The current level of unrestricted net assets for our governmental activities stands at \$424,000, or about 211% of annual expenditures.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present an overview of the government broken down by the services it provides.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, economic conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General and Liquor Law Enforcement Funds.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

**Governmental Funds:** All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

**Fiduciary Funds:** The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

## ANALYSIS OF THE TOWNSHIP'S FUNDS

**General Fund** – This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township, fire protection services, and road repair and maintenance.

**Liquor Law Enforcement Fund** – This fund is used to account for the state shared revenues received for liquor law enforcement and the related expenditures.

## CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

### **Capital Assets:**

There were no capital asset additions in the year ended March 31, 2006



## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONTINUED)**

### **Long Term Debt:**

The Township has no outstanding long-term debt.

## **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

None.

## **CONTACTING TOWNSHIP MANAGEMENT**

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Ms. Diane Franckowiak, Supervisor, at P.O. Box 117, Elmira, MI 49730.

A handwritten signature in cursive script, reading "Diane Franckowiak", written in black ink.

Ms. Diane Franckowiak, Township Supervisor

**TOWNSHIP OF ELMIRA  
STATEMENT OF NET ASSETS  
MARCH 31, 2006**

| <b>Assets</b>                         |                        |
|---------------------------------------|------------------------|
| Cash                                  | \$ 414,972             |
| Accounts receivable                   | 17,961                 |
| Capital assets being depreciated, net | 91,954                 |
| Capital assets not being depreciated  | 78,711                 |
|                                       | <hr/>                  |
| Total assets                          | 603,598                |
| <br><b>Liabilities</b>                |                        |
| Due to other governments              | 9,115                  |
|                                       | <hr/>                  |
| <br><b>Net Assets</b>                 |                        |
| Invested in capital assets            | 170,665                |
| Unrestricted                          | 423,818                |
|                                       | <hr/>                  |
| Total net assets                      | <hr/> <hr/> \$ 594,483 |

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006**

|  | <u>P r o g r a m   R e v e n u e s</u> |                                     |   |   | <u>Net Revenue<br/>(Expense) &amp;<br/>Change in<br/>Net Assets</u> |
|--|--|-------------------------------------|---|---|---|
|  | <u>Expenses</u>                        | <u>Charges<br/>For<br/>Services</u> | <u>Operating<br/>Grants &amp;<br/>Contributions</u> | <u>Capital<br/>Grants &amp;<br/>Contributions</u> | <u>Total</u>  |
| <b>Primary government:</b>                                 |  |                                     |   |   |   |
| General government   | \$ 128,782                             | \$ 23,636                           | \$ -  | -   | (105,146)   |
| Public safety  | 62,283                                 | -                                   | -   | -   | (62,283)  |
| Public works - street lights                               | 2,551                                  | -                                   | 4,924   | -   | 2,373   |
| Recreation and culture                                     | 3,271                                  | -                                   | -   | -   | (3,271)   |
| Cemetery   | 2,733                                  | -                                   | -   | -   | (2,733)   |
| Liquor law enforcement                                     | 1,440                                  | -                                   | -   | -   | (1,440)   |
| Total governmental activities                              | \$ 201,060                             | \$ 23,636                           | \$ 4,924  | \$ -  | (172,500)   |
| <b>General Revenues:</b>                                   |  |                                     |   |   |   |
| Property taxes   |  |                                     |   |   | 121,107   |
| State revenue sharing (not restricted to specific purpose) |  |                                     |   |   | 107,926   |
| Refunds and reimbursements                                 |  |                                     |   |   | 1,372   |
| Interest   |  |                                     |   |   | 14,215  |
| Other  |  |                                     |   |   | 5,594   |
| Total general revenues                                     |  |                                     |   |   | 250,214   |
| Change in net assets                                       |  |                                     |   |   | 77,714  |
| <b>Net Assets - Beginning of Year</b>                      |  |                                     |   |   | 516,769   |
| <b>Net Assets - End of Year</b>                            |  |                                     |   |   | \$ 594,483  |

See accompanying notes to financial statements.

TOWNSHIP OF ELMIRA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2006

|                                       | <u>Major<br/>Fund</u> | <u>Non - Major Funds</u>              |             |              |
|---------------------------------------|-----------------------|---------------------------------------|-------------|--------------|
|                                       | <u>General</u>        | <u>Liquor<br/>Law<br/>Enforcement</u> | <u>Fire</u> | <u>Total</u> |
| <b>Assets</b>                         |                       |                                       |             |              |
| Cash                                  | \$ 414,972            | \$ -                                  | \$ -        | \$ 414,972   |
| Delinquent taxes receivable           | 10,100                | -                                     | -           | 10,100       |
| Accrued interest                      | 7,861                 | -                                     | -           | 7,861        |
|                                       | <hr/>                 | <hr/>                                 | <hr/>       | <hr/>        |
| Total assets                          | 432,933               | -                                     | -           | 432,933      |
|                                       | <hr/> <hr/>           | <hr/> <hr/>                           | <hr/> <hr/> | <hr/> <hr/>  |
| <b>Liabilities and Fund Balance</b>   |                       |                                       |             |              |
| <b>Liabilities:</b>                   |                       |                                       |             |              |
| Due to other governments              | 9,115                 | -                                     | -           | 9,115        |
|                                       | <hr/>                 | <hr/>                                 | <hr/>       | <hr/>        |
| <b>Fund Balance:</b>                  |                       |                                       |             |              |
| Fund balance - undesignated           | 423,818               | -                                     | -           | 423,818      |
|                                       | <hr/>                 | <hr/>                                 | <hr/>       | <hr/>        |
| Total liabilities and fund<br>balance | \$ 432,933            | \$ -                                  | \$ -        | \$ 432,933   |
|                                       | <hr/> <hr/>           | <hr/> <hr/>                           | <hr/> <hr/> | <hr/> <hr/>  |

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006**

|   |                   |
|---|-------------------|
| <b>Total Fund Balance - Governmental Funds (Page 8)</b> | <b>\$ 423,818</b> |
|---|-------------------|

Amounts reported for governmental activities in the Statement of Net Assets (page 6) are different because:

|  |         |
|--|---------|
| Capital assets used in governmental activities are not financial resources and therefore are not used in the funds | 170,665 |
|--|---------|

|  |                   |
|--|-------------------|
| <b>Total Net Assets - Governmental Activities (Page 6)</b> | <b>\$ 594,483</b> |
|--|-------------------|

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2006**

|   | <u>Major<br/>Fund</u> | <u>Non-major Funds</u> |             |                   |
|---|-----------------------|------------------------|-------------|-------------------|
|   |                       | Liquor<br>Law          |             |                   |
|   | General               | Enforcement            | Fire        | Total             |
| <b>Revenues</b>                         |                       |                        |             |                   |
| Taxes and assessments                   | \$ 55,986             | \$ -                   | \$ 61,963   | \$ 117,949        |
| State sources                           | 111,081               | 1,440                  | -           | 112,521           |
| Charges for services                    | 30,640                | -                      | -           | 30,640            |
| Interest                                | 14,527                | -                      | -           | 14,527            |
| Miscellaneous                           | 3,137                 | -                      | -           | 3,137             |
|   | <hr/>                 | <hr/>                  | <hr/>       | <hr/>             |
| Total revenues                          | 215,371               | 1,440                  | 61,963      | 278,774           |
| <b>Expenditures</b>                     |                       |                        |             |                   |
| General government                      | 122,128               | -                      | -           | 122,128           |
| Public safety                           | 320                   | -                      | 61,963      | 62,283            |
| Public works                            | 2,551                 | -                      | -           | 2,551             |
| Recreation and culture                  | 3,271                 | -                      | -           | 3,271             |
| Cemetery                                | 2,733                 | -                      | -           | 2,733             |
| Liquor enforcement                      | -                     | 1,440                  | -           | 1,440             |
|   | <hr/>                 | <hr/>                  | <hr/>       | <hr/>             |
| Total expenditures                      | 131,003               | 1,440                  | 61,963      | 194,406           |
|   | <hr/>                 | <hr/>                  | <hr/>       | <hr/>             |
| Excess of revenue over expenditures     | 84,368                | -                      | -           | 84,368            |
| <b>Fund Balance - Beginning of year</b> | 339,450               | -                      | -           | 339,450           |
|   | <hr/>                 | <hr/>                  | <hr/>       | <hr/>             |
| <b>Fund Balance - End of year</b>       | <u>\$ 423,818</u>     | <u>\$ -</u>            | <u>\$ -</u> | <u>\$ 423,818</u> |

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006**

|  |                  |
|--|------------------|
| <b>Net Change in Fund Balance - Total Governmental Funds (Page 10)</b> | <b>\$ 84,368</b> |
|--|------------------|

Amounts reported for governmental activities in the Statement of Activities (page 7) are different because:

|  |         |
|--|---------|
| Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements | (6,654) |
|--|---------|

|   |                  |
|---|------------------|
| <b>Change in Net Assets of Governmental Activities (Page 7)</b> | <b>\$ 77,714</b> |
|---|------------------|

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**MARCH 31, 2006**

|                          |                    |                          |
|--------------------------|--------------------|--------------------------|
|                          | <b>Assets</b>      |                          |
| Cash                     |                    | \$ 3,302                 |
|                          |                    | <u><u>          </u></u> |
|                          | <b>Liabilities</b> |                          |
| Due to other governments |                    | 3,302                    |
|                          |                    | <u><u>          </u></u> |

See accompanying notes to financial statements.



**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 1: ENTITY**

The Township of Elmira is a general law township of the State of Michigan located in Otsego County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Elmira Township.

**JOINT VENTURE**

The Elmira/Warner Fire Authority was created October 1, 2002 by Elmira and Warner Townships under Public Act 57 of 1988, as amended, for the purpose of furnishing fire/rescue services in the Townships. The Authority operates under a separate 5-member board.

Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units", the activities of the Fire Authority are not recorded in the Township's financial statements and are audited under separate cover. The only activity reported in the Township's financial statements with respect to fire protection services is the collection of property taxes levied under the name of Elmira Township, and the allocation of the property tax dollars to the Fire Authority.

Audited financial statements for the Elmira/Warner Fire Authority can be obtained at 2035 Mt. Jack Road, Elmira, MI 49730.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of Elmira Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Elmira Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Township reports the following major governmental fund:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

The Township maintains two non-major fund – Liquor Law Enforcement and Fire Protection.

***Other Funds***

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded

**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005, are recorded as revenue in the current year. The Township's taxable value for the 2005 tax year totaled \$62,678,435.

The tax rates for the year ended March 31, 2006, were as follows:

| <b>PURPOSE</b>  | <b>RATE/ASSESSED VALUATION</b> |
|-----------------|--------------------------------|
| General         | 0.8930 mills per \$1,000       |
| Fire Protection | 0.9884 mills per \$1,000       |

**BUDGET**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

**CAPITAL ASSETS AND DEPRECIATION**

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur.

**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION**

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

|                         |         |
|-------------------------|---------|
| Buildings               | 25 – 40 |
| Land Improvements       | 10 – 20 |
| Machinery and equipment | 5 – 10  |
| Vehicles                | 5 – 10  |

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note 4.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

**NOTE 3: CASH**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 3: CASH (CONTINUED)**

The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township of Elmira's deposits and investment policies are in accordance with statutory authority.

At March 31, 2006, the Township's deposits were reported in the basic financial statements as follows:

|      | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> | <u>Total Primary<br/>Government</u> |
|------|------------------------------------|----------------------------|-------------------------------------|
| Cash | <u>\$ 414,972</u>                  | <u>\$ 3,302</u>            | <u>\$ 418,274</u>                   |

**Deposits**

The bank balance of the Township's deposits is \$422,462, of which \$419,844 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 4: CAPITAL ASSETS**

|   | Balance<br><u>April 1, 2005</u> | <u>Additions</u>      | <u>Disposals</u> | Balance<br><u>March 31, 2006</u> |
|---|---------------------------------|-----------------------|------------------|----------------------------------|
| <b>Governmental Activities:</b>             |                                 |                       |                  |                                  |
| Capital assets not being depreciated - Land | \$ 78,711                       | \$ -                  | \$ -             | \$ 78,711                        |
| Capital assets being depreciated:           |                                 |                       |                  |                                  |
| Building and grounds                        | 174,544                         | -                     | -                | 174,544                          |
| Machinery and equipment                     | <u>19,392</u>                   | <u>-</u>              | <u>-</u>         | <u>19,392</u>                    |
| Subtotal                                    | 193,936                         | -                     | -                | 193,936                          |
| Accumulated depreciation:                   |                                 |                       |                  |                                  |
| Building and grounds                        | 83,192                          | 4,911                 | -                | 88,103                           |
| Machinery and equipment                     | <u>12,136</u>                   | <u>1,743</u>          | <u>-</u>         | <u>13,879</u>                    |
| Subtotal                                    | <u>95,328</u>                   | <u>6,654</u>          | <u>-</u>         | <u>101,982</u>                   |
| Net capital assets being depreciated        | <u>98,608</u>                   | <u>(6,654)</u>        | <u>-</u>         | <u>91,954</u>                    |
| Net capital assets                          | <u><u>177,319</u></u>           | <u><u>(6,654)</u></u> | <u><u>-</u></u>  | <u><u>170,665</u></u>            |

Depreciation expense was charged entirely to the general government function.

**NOTE 5: DUE TO/FROM OTHER GOVERNMENTAL UNITS**

The delinquent taxes due from Otsego County are as follows:

|         |                        |
|---------|------------------------|
| General | \$ 5,344               |
| Fire    | <u>4,756</u>           |
|         | <u><u>\$ 8,878</u></u> |

The Fire portion is payable to the Elmira / Warner Fire Authority upon receipt.

**NOTE 6: CONTINGENCIES**

**INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage.

**TOWNSHIP OF ELMIRA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 6: CONTINGENCIES (CONTINUED)**

In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**NOTE 7: PENSION PLAN**

The Township established a money purchase pension plan covering substantially all of its elected officials and full-time employees. The plan is maintained with Municipal Retirement Systems, Inc.

Total pension expense for the year is \$7,513. Payments made to the plan vest immediately to the participants. The plan provides fully insured pension credits and each year's contribution is sufficient to fully fund the benefits earned during the year. Payments to the plan have been used only to purchase benefits. There are not separate plan assets.

The plan year is based on a July 1 through June 30, fiscal year. Seven Township employees are participants in the plan as of March 31, 2006. The total covered compensation approximated \$62,000. Premiums are adjusted for additions or deletions of covered personnel in the next billing period. The Township contributed 12% to the plan for the plan year ending June 30, 2005. No employees made voluntary contributions to the plan during the year.

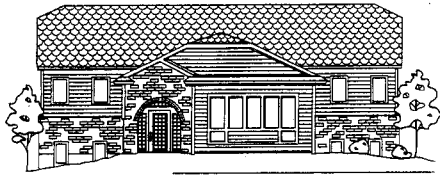
**NOTE 8: LEASE**

The Township has leased its fire hall to the Elmira / Warner Fire Authority for \$1. The Township retains ownership and insures the fire hall.



**TOWNSHIP OF ELMIRA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Amended<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>From Final<br/>Amended<br/>Budget</b> |
|---|----------------------------|-------------------------------------|-------------------|---|
| <b>Revenues</b>                             |                            |                                     |                   |   |
| Taxes and assessments                       | \$ 58,000                  | \$ 58,000                           | \$ 55,986         | \$ (2,014)  |
| State sources                               | 108,000                    | 108,000                             | 111,081           | 3,081   |
| Charges for services                        | 29,500                     | 29,500                              | 30,640            | 1,140   |
| Interest                                    | 6,800                      | 6,800                               | 14,527            | 7,727   |
| Miscellaneous                               | 3,250                      | 3,250                               | 3,137             | (113)   |
| <b>Total revenues</b>                       | <b>205,550</b>             | <b>205,550</b>                      | <b>215,371</b>    | <b>9,821</b>  |
| <b>Expenditures</b>                         |                            |                                     |                   |   |
| General government                          | 136,327                    | 137,541                             | 122,128           | 15,413  |
| Public safety                               | 5,000                      | 5,000                               | 320               | 4,680   |
| Public works                                | 3,000                      | 3,000                               | 2,551             | 449   |
| Recreation and culture                      | 3,000                      | 3,271                               | 3,271             | -   |
| Cemetery                                    | 2,050                      | 2,733                               | 2,733             | -   |
| <b>Total expenditures</b>                   | <b>149,377</b>             | <b>151,545</b>                      | <b>131,003</b>    | <b>20,542</b>   |
| <b>Excess of revenues over expenditures</b> | <b>56,173</b>              | <b>54,005</b>                       | <b>84,368</b>     | <b>30,363</b>   |
| <b>Fund Balance - Beginning of Year</b>     | <b>339,450</b>             | <b>339,450</b>                      | <b>339,450</b>    | <b>-</b>  |
| <b>Fund Balance - End of Year</b>           | <b>\$ 395,623</b>          | <b>\$ 393,455</b>                   | <b>\$ 423,818</b> | <b>\$ 30,363</b>                                      |



**Keskin, Cook, Miller & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.  
Jeffrey B. Cook, C.P.A.  
Richard W. Miller, C.P.A.  
Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

July 31, 2006

To the Township Board  
Township of Elmira, Otsego County

We have audited the financial statements of Elmira Township for the year ended March 31, 2006, and have issued our report thereon dated July 31, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Elmira Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Elmira Township are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached page summarizes the adjustments that were proposed to management and made to the audited financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Difficulties Encountered in Performing the Audit**

The financial records of Elmira Township were well organized and we are happy to report that there were no difficulties in performing the audit.

### **Comments and Recommendations**

In planning and performing our audit of the financial statements of Elmira Township, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments and recommendations should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- We noted that the Township currently has a credit card with the Wal-Mart Corporation to allow the Township's elected officials to easily purchase Township supplies. The credit limit issued in conjunction with this credit card is \$3,000. However, the Township has not adopted a credit card policy. Strong internal controls and Board oversight would include the adoption of a credit card policy outlining the card's authorized users, acceptable credit limits, control processes such as storage of cards, approval of use, etc. We recommend the Board adopt a credit card policy which outlines the above mentioned items.

We hope that you find the above comment and recommendation useful. We are available to discuss this item in further detail with you at your convenience.

This information is intended solely for the information of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*K.K. Cook Miller & Alexander LLP*  
Keskine, Cook, Miller & Alexander LLP